



Global Agriculture Information Network

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Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Moscow [RS1]
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Executive Summary

Russia's CY 2007 rice import forecast has fallen to 180,000 metric tons due to continued restrictions on imports imposed by the Russian Federal Service for Veterinary and Phytosanitary Surveillance (VPSS). From January to April 2007, Russia imported less than 50,000 metric tons, barely a third of what was imported during the same period the previous year. The ban on imports of rice from India starting May 1, and threats to ban imports from Thailand starting July 1, may lead to a further decrease in annual rice imports. Domestic rice production will increase, but will not be able to compensate for the reduction in imports. Maintaining domestic rice consumption at the relatively stable current level will lead to significant decrease of beginning stocks of rice for CY 2008.

Update on Rice imports to Russia

Russia banned imports of rice from the United States in September 2007. In December 2006, VPSS closed borders of Russia to all rice imports until the exporting countries officially guaranteed Russia's quality parameters, and provided information on the use of chemicals in the processes of rice production and distribution in the exporting country (GAIN RS 6066 *Russia Temporary Bans Rice Imports*). In the mid-December, 2007, Russia opened three border points for rice imports (Kaliningrad, St. Petersburg, and Novorossiysk), which were said to be equipped for thorough testing and inspection of each rice shipment. Only VPSS headquarters was allowed to issue rice import permits (GAIN RS6069 *VPSS Eases Rice Import Ban for Shipments on the Water*). Only small quantities of rice have been shipped since then through these three ports, and rice imports decreased by almost two-thirds during January – April 2007 compared to the same period in 2006. Only India and Thailand continued significant rice exports to Russia (Table 1).

Starting May 1, 2007, Russia banned all rice imports from India because India had allegedly not submitted sufficient information about the application of pesticides, the list of chemicals used in the rice industry, or a schematic for the application of these chemicals at all places where rice is produced for exports to Russia. They had not provided government guarantees that the government would control application of these chemicals, and would not allow use of chemicals not registered in Russia. The equipment installed in the Russian port laboratories enables VPSS to find traces of different chemicals in rice.

In mid-June 2007, VPSS announced that, starting July 21, in addition to the three existing points of entry, another point (Vladivostok) will be put into operation. This entry point is reportedly equipped with the modern equipment for safety testing. According to the press, VPSS is preparing another point of entry for rice in the seaport of Nakhodka (also in the Russian Far East). These two points in the Russian Far East may facilitate rice imports from Asia, but currently only Thailand remains a large exporter to Russia. Moreover, in the middle of June VPSS threatened that it would discontinue issuing permits and would recall all previous import permits for Thai rice. Despite VPSS visits to Thailand in December – January to examine the Thai rice industry, the Thai Government has allegedly not agreed to reveal all information on the domestic use of chemicals for rice production, storing and handling, or provide official guarantees on the absence of dangerous quarantine pests or chemical residues. Thus, despite an additional rice entry point, the restrictive measures of VPSS pave the way to further decrease CY 2007 rice imports.

According to official data, rice imports from China, previously the primary rice supplier to Russia, ceased in January. Renewal of these imports in significant quantities is unlikely as

they found other markets for their rice, according to official export data for the Republic of China.¹

Chart 1. Rice imports by Month, CY 2005, 2006, January – April 2007

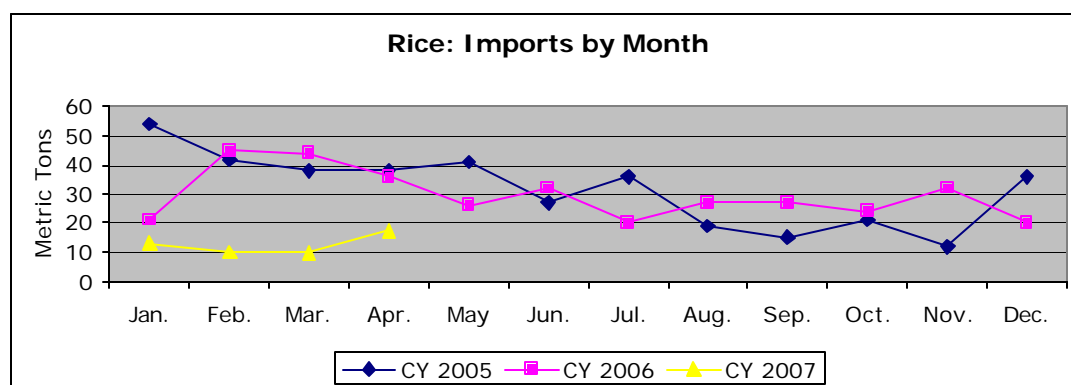


Table 1. Milled Rice Imports in January – April 2005, 2006, 2007, by Countries, Metric Tons

Country-	2004	2005	2006	2007
--The World--	160,449	172,326	147,186	49,848
China	64,626	50,700	45,851	132
Vietnam	27,683	50,004	29,861	2,492
Pakistan	4,212	4,521	23,321	4,618
Thailand	35,128	30,002	16,104	15,606
India	2,415	2,339	15,854	22,255
Kazakhstan	18,079	16,177	7,628	3,932
Egypt	5,107	15,127	5,140	NA
Belgium/Netherlands	1,649	1,356	1,619	47
United States	838	1,269	1,455	0
Spain	267	323	196	NA
Other	444	508	158	766

Source: World Trade Atlas, and preliminary Customs data for 2007

PSD for Rice

Given the drastic drop in rice imports and stable rice consumption, rice stocks will decrease drastically by the end of CY 2007. The quality of Russian rice is low, and production is limited to “round rice”, suitable mainly for porridge. A significant increase in the price of this rice, which may lead to a decrease in consumption, is unlikely. At the same time decreased imports of high quality may be harmful to “niche” rice consumption, and will decrease the choice of rice products in the Russian market. In 2008, rice imports of different quality rice may increase, but are not expected to return to the level of imports in 2004-2006. The structure of domestic rice consumption will change: choice of quality rice products for middle

¹ According to the World Trade Atlas data, in January – April 2007 Chinese exports increased by 20 percent on a year-to-year basis, while exports to Russia dropped from 50,675 metric tons to 1,690 metric tons. Exports to Kazakhstan tripled, to 11,760 metric tons, but even with could-be transit of Chinese rice through Kazakhstan, the total export of Chinese rice to Russia is dozens of times less than it was in 2006.

income consumers will shrink, and sharp increase of prices of high quality rice will contribute to the increasing disparity in what people with varying incomes can afford to eat.

Table 2. PSD, Rice, 1,000 Metric Tons, 1,000 Hectares

Country	Russian Federation									
Commodity	Rice, Milled						(1000 HA)	(1000 MT)	(MT/HA)	
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Area Harvested	135	135	135	163	163	163	175	175	175	(1000 HA)
Beginning Stocks	117	117	117	70	99	104	100	94	34	(1000 MT)
Milled Production	372	372	372	445	445	445	470	470	480	(1000 MT)
Rough Production	572	572	572	685	685	685	723	723	738	(1000 MT)
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500	6500	6500	6500	(1000 MT)
MY Imports	324	355	358	320	270	180	260	260	260	(1000 MT)
TY Imports	324	355	358	320	270	180	260	260	260	(1000 MT)
TY Imp. from U.S.	0	0	5	0	0	0	0	0	5	(1000 MT)
Total Supply	813	844	847	835	814	729	830	824	774	(1000 MT)
MY Exports	18	20	18	10	20	15	30	30	20	(1000 MT)
TY Exports	18	20	18	10	20	15	30	30	10	(1000 MT)
Total Consumption	725	725	725	725	700	680	725	700	704	(1000 MT)
Ending Stocks	70	99	104	100	94	34	75	94	50	(1000 MT)
Total Distribution	813	844	847	835	814	729	830	824	774	(1000 MT)
Yield (Rough)	4.24	4.24	4.24	4.20	4.20	4.20	4.13	4.13	4.22	(MT/HA)